



TOWNSHIP OF ECKFORD
Calhoun County, Michigan
13-1090
FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

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DEC 27 2004

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Eckford		County Calhoun	
Audit Date June 30, 2004	Opinion Date September 10, 2004	Date Accountant Report Submitted to State: September 10, 2004			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

September 10, 2004

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Eckford
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Eckford, Calhoun County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Eckford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Eckford, Calhoun County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

The Management's Discussion and Analysis report of the Township of Eckford covers the Township's financial performance during the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at June 30, 2004, totaled approximately \$272,000.00. This includes cash on hand, buildings, land, equipment, and investments. Overall, the Township's assets have increased over the last 10 years with building improvements, and purchase of land.

Overall revenues were approximately \$161,000.00. Overall expenses were approximately \$145,800.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Fund.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2004

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Cemetery Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

For the fiscal year ended June 30, 2004, net assets of the Township increased by \$11,035.88 to \$272,166.43.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

For the fiscal year ended June 30, 2004, the fund balance of the General Fund increased by \$14,709.93 to \$244,514.73.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Eckford Township has no long-term debt activity at this time. There were no additions to the capital assets this past year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township's plans for the future include the ability to meet expenses for the repair and upkeep of the Township's road improvements. Also, the possibility of a sewer line being implemented around one of the Township's lakes to serve the residents that are living near that lake.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Teresa Baylis, Township Treasurer or Bruce Rapp, Township Supervisor at 269-781-9222, 269-781-7445, or 269-781-7416.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	15 753 31
Investments	<u>232 276 62</u>
Total Current Assets	<u>248 029 93</u>
NONCURRENT ASSETS:	
Capital Assets	55 484 00
Less: Accumulated Depreciation	<u>(31 347 00)</u>
Total Noncurrent Assets	<u>24 137 00</u>
TOTAL ASSETS	<u>272 166 93</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	24 137 00
Reserved	3 485 20
Unrestricted	<u>244 544 73</u>
Total Net Assets	<u>272 166 93</u>
TOTAL LIABILITIES AND NET ASSETS	<u>272 166 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 300 00	-	3 300 00
General government	69 692 83	12 580 55	57 112 28
Public safety	61 254 25	12 880 26	48 373 99
Public works	3 033 00	455 40	2 577 60
Other	12 717 49	-	12 717 49
Total Governmental Activities	<u>149 997 57</u>	<u>25 916 21</u>	<u>124 081 36</u>
General Revenues:			
Property taxes			34 283 64
State revenue sharing			96 679 27
Interest			2 018 44
Miscellaneous			2 135 89
Total General Revenues			<u>135 117 24</u>
Change in net assets			11 035 88
Net assets, beginning of year			<u>261 131 05</u>
Net Assets, End of Year			<u>272 166 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2004

<u>Assets</u>	<u>General</u>	<u>Cemetery</u>	<u>Total</u>
Cash in bank	12 268 11	3 485 20	15 753 31
Investments	<u>232 276 62</u>	<u>-</u>	<u>232 276 62</u>
Total Assets	<u>244 544 73</u>	<u>3 485 20</u>	<u>248 029 93</u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved	-	3 485 20	3 485 20
Unreserved:			
Undesignated	<u>244 544 73</u>	<u>-</u>	<u>244 544 73</u>
Total fund equity	<u>244 544 73</u>	<u>3 485 20</u>	<u>248 029 93</u>
Total Liabilities and Fund Equity	<u>244 544 73</u>	<u>3 485 20</u>	<u>248 029 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

248 029 93

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost
Accumulated depreciation

55 484 00
(31 347 00)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

272 166 93

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2004

	<u>General</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:			
Property taxes	34 283 64	-	34 283 64
Licenses and permits	12 880 26	-	12 880 26
State revenue sharing	96 679 27	-	96 679 27
Charges for services	12 180 55	400 00	12 580 55
Interest	1 938 49	79 95	2 018 44
Special assessments	455 40	-	455 40
Miscellaneous	2 135 89	-	2 135 89
Total revenues	<u>160 553 50</u>	<u>479 95</u>	<u>161 033 45</u>
Expenditures:			
Legislative:			
Township Board	3 300 00	-	3 300 00
General government:			
Supervisor	8 880 00	-	8 880 00
Elections	37 43	-	37 43
Assessor	9 409 77	-	9 409 77
Clerk	9 133 00	-	9 133 00
Board of Review	765 00	-	765 00
Treasurer	10 680 00	-	10 680 00
Building and grounds	7 165 78	-	7 165 78
Cemetery	10 816 73	-	10 816 73
Unallocated	8 651 12	-	8 651 12
Public safety:			
Fire protection	39 344 83	-	39 344 83
Ambulance	4 726 74	-	4 726 74
Protective inspection	17 182 68	-	17 182 68
Public works:			
Drains at large	1 325 00	-	1 325 00
Street lighting	1 708 00	-	1 708 00
Other:			
Social security	4 035 49	-	4 035 49
Insurance	8 682 00	-	8 682 00
Total expenditures	<u>145 843 57</u>	<u>-</u>	<u>145 843 57</u>
Excess of revenues over expenditures	14 709 93	479 95	15 189 88
Fund balances, July 1	<u>229 834 80</u>	<u>3 005 25</u>	<u>232 840 05</u>
Fund Balances, June 30	<u>244 544 73</u>	<u>3 485 20</u>	<u>248 029 93</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 15 189 88

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(4 154 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

11 035 88

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Eckford, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Eckford. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others. The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .9104 mills, and the taxable value was \$38,167,800.00.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	3-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$24,137.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 3 -- Deposits and Investments (continued)

	<u>Carrying Amounts</u>
Total Deposits	<u>15 753 31</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	17 659 13
Uninsured and Uncollateralized	-
Total Deposits	<u>17 659 13</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	-	-	-	-
Total Risk-Categorized Investments	-	-	-	-
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>232 276 62</u>
Total Investments				<u>232 276 62</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2004

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/04</u>
Land	3 506 00	-	-	3 506 00
Buildings	26 002 00	-	-	26 002 00
Equipment	<u>25 976 00</u>	<u>-</u>	<u>-</u>	<u>25 976 00</u>
Total	55 484 00	-	-	55 484 00
Accumulated Depreciation	<u>(27 193 00)</u>	<u>(4 154 00)</u>	<u>-</u>	<u>(31 347 00)</u>
Net Capital Assets	<u>28 291 00</u>	<u>(4 154 00)</u>	<u>-</u>	<u>24 137 00</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of June 30, 2004, the Township had building permit revenues of \$12,880.26 and building permit expenses of \$12,812.68.

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	33 500 00	33 500 00	34 283 64	783 64
Licenses and permits	10 000 00	10 000 00	12 880 26	2 880 26
State revenue sharing	102 150 00	102 150 00	96 679 27	(5 470 73)
Charges for services	11 525 00	11 525 00	12 180 55	655 55
Interest	4 775 00	4 775 00	1 938 49	(2 836 51)
Special assessments	1 000 00	1 000 00	455 40	(544 60)
Miscellaneous	5 000 00	5 000 00	2 135 89	(2 864 11)
Total revenues	<u>167 950 00</u>	<u>167 950 00</u>	<u>160 553 50</u>	<u>(7 396 50)</u>
Expenditures:				
Legislative:				
Township Board	2 800 00	3 300 00	3 300 00	-
General government:				
Supervisor	8 880 00	8 880 00	8 880 00	-
Elections	500 00	500 00	37 43	(462 57)
Assessor	9 500 00	10 000 00	9 409 77	(590 23)
Clerk	9 380 00	9 380 00	9 133 00	(247 00)
Board of Review	900 00	900 00	765 00	(135 00)
Treasurer	11 180 00	11 180 00	10 680 00	(500 00)
Building and grounds	4 850 00	7 500 00	7 165 78	(334 22)
Cemetery	14 540 00	14 540 00	10 816 73	(3 723 27)
Unallocated	12 200 00	13 000 00	8 651 12	(4 348 88)
Public safety:				
Fire protection	44 750 00	46 370 00	39 344 83	(7 025 17)
Ambulance	6 000 00	6 000 00	4 726 74	(1 273 26)
Protective inspection	15 000 00	19 000 00	17 182 68	(1 817 32)
Public works:				
Highways and streets	8 000 00	8 000 00	-	(8 000 00)
Drains at large	2 000 00	1 500 00	1 325 00	(175 00)
Street lighting	1 800 00	1 800 00	1 708 00	(92 00)
Other:				
Social security	3 500 00	4 100 00	4 035 49	(64 51)
Insurance	9 000 00	9 000 00	8 682 00	(318 00)
Capital outlay	19 000 00	8 830 00	-	(8 830 00)
Total expenditures	<u>183 780 00</u>	<u>183 780 00</u>	<u>145 843 57</u>	<u>(37 936 43)</u>
Excess (deficiency) of revenues over expenditures	(15 830 00)	(15 830 00)	14 709 93	30 539 93
Fund balance, July 1	<u>176 000 00</u>	<u>174 193 62</u>	<u>229 834 80</u>	<u>55 641 18</u>
Fund Balance, June 30	<u>160 170 00</u>	<u>158 363 62</u>	<u>244 544 73</u>	<u>86 181 11</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Township Board:	
Salaries and wages	<u>3 300 00</u>
Supervisor:	
Salary	<u>8 880 00</u>
Elections	<u>37 43</u>
Assessor:	
Contracted services	9 000 00
Miscellaneous	<u>409 77</u>
	<u>9 409 77</u>
Clerk:	
Salary	8 880 00
Deputy	<u>253 00</u>
	<u>9 133 00</u>
Board of Review:	
Wages	<u>765 00</u>
Treasurer:	
Salary	<u>10 680 00</u>
Building and grounds:	
Utilities	3 166 30
Miscellaneous	<u>3 999 48</u>
	<u>7 165 78</u>
Cemetery:	
Sexton	8 040 00
Miscellaneous	<u>2 776 73</u>
	<u>10 816 73</u>
Unallocated:	
Attorney	1 286 00
Advertising	319 35
Convention	1 137 60
Dues	785 67
Office supplies	3 078 69
Miscellaneous	<u>2 043 81</u>
	<u>8 651 12</u>
Fire protection:	
Contracted services	<u>39 344 83</u>
Ambulance	<u>4 726 74</u>
Protective inspection:	
Zoning inspector	1 980 00
Building inspector	12 812 68
Planning Commission	<u>2 390 00</u>
	<u>17 182 68</u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2004

Drains at large	<u>1 325 00</u>
Street lighting	<u>1 708 00</u>
Social security	<u>4 035 49</u>
Insurance	<u>8 682 00</u>
Total Expenditures	<u><u>145 843 57</u></u>

TOWNSHIP OF ECKFORD
Calhoun County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2004

	<u>Balance 7/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>20 03</u>	<u>1 202 357 91</u>	<u>1 202 367 93</u>	<u>10 01</u>
<u>Liabilities</u>				
Due to other funds	20 03	45 393 91	45 403 93	10 01
Due to others	-	1 156 964 00	1 156 964 00	-
Total Liabilities	<u>20 03</u>	<u>1 202 357 91</u>	<u>1 202 367 93</u>	<u>10 01</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>5 00</u>	<u>14 385 24</u>	<u>14 385 23</u>	<u>5 01</u>
<u>Liabilities</u>				
Due to other funds	5 00	479 13	479 12	5 01
Due to others	-	13 906 11	13 906 11	-
Total Liabilities	<u>5 00</u>	<u>14 385 24</u>	<u>14 385 23</u>	<u>5 01</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>25 03</u>	<u>1 216 743 15</u>	<u>1 216 753 16</u>	<u>15 02</u>
<u>Liabilities</u>				
Due to other funds	25 03	45 873 04	45 883 05	15 02
Due to others	-	1 170 870 11	1 170 870 11	-
Total Liabilities	<u>25 03</u>	<u>1 216 743 15</u>	<u>1 216 753 16</u>	<u>15 02</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND
REPORT OF COMMENTS AND RECOMMENDATIONS

DEC 27 2004

LOCAL AUDIT & FINANCE DIV.

September 10, 2004

To the Township Board
Township of Eckford
Calhoun County, Michigan

We have audited the financial statements of the Township of Eckford for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Eckford in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Eckford
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Township of Eckford began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2004.

To the Township Board
Township of Eckford
Calhoun County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants